

BUDGET DEMYSTIFICATION AND BUDGET TRANSPARENCY IN MALAWI

By

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1. Introduction

- Budget - Important instrument that every government uses
- Basic functions of budget entails collection and allocation of scarce resources to priority projects
- Budget demystification and budget transparency - new concepts in African countries

2. Definition of Budget Demystification

- Removal of mystery or confusion surrounding the budget
- Involves simplifying the budget information

3. Definition of Budget Transparency

- Full disclosure of all relevant fiscal information in a timely and systematic manner
- Prerequisite for public participation and accountability
- Important means of achieving participation and democratic control of budgetary process
- Allows an engaged and informed citizenry to have input into the budget process

4. BUDGET DEMYSTIFICATION AND BUDGET TRANSPARENCY IN MALAWI

(a) Initiatives by Malawi Government

- MOF conducts pre-budget consultations every fiscal year
- Consultations are in form of meetings in Blantyre, Lilongwe and Mzuzu
- To allow citizens to participate at grassroots, members of the general public to give their views in writing – letters, faxes or emails
- Strategies used to demystify budget:
 - o Public debates using local languages (Chichewa) and simplified English language
 - o Press Conference and briefings conducted by Government
 - o Phone-radio programmes organized by Government
 - o Radio programmes sponsored by Government

Major Objectives of Government

- To deepen democracy – going beyond the traditional model of representative democracy
- To create a common vision between the government, citizens and other stakeholders
- To empower the citizenry so that they understand the national budget and learn how to influence it
- To enable the citizenry own the national budget and the outcomes of implementing it
- To create a culture of transparency and accountability in the use of public funds
- To influence the stakeholders (citizens, civil society and private organizations) to work effectively with government and negotiate within budget limits
- To ensure that the pro-poor perspective is incorporated into the national budget

Major Challenges Faced by Government

- No formal guidelines or legal framework for budget demystification and transparency at central government level.
- Finance officers are appointed because they understand figures, not because they understand how to deal with people.
- Inadequate knowledge and skills of the stakeholders in budget analysis to discover the government's hidden priorities

Impact of the Initiatives Taken by Government

- Budget debates (facilitated by the Ministry of Finance) during which distorted programme/project priorities are surfaced and corrected
- National budget is pro-poor and addresses the needs of the citizenry
- Citizenry own the budget and its outcomes

Major lesson Learnt

- Informal arrangements can be as effective as formal arrangements in demystifying budget and making it more Transparent

(b) Initiatives by Civil Society Organizations

MEJN has the following objectives

- To act as a bridge between the civil society and government
- To build capacity of Community-based Organizations (CBOs) and grassroots through budget literacy programmes
- To analyse and enhance the pro-poor influence through budget participation, impact and outcome monitoring
- To work with the youth and gender groups and train them on how to interpret budgets and articulate their needs
- To lobby politicians so that the national and local government budgets should be pro-poor
- To conduct research on economic governance at central and local government levels

Tools and Methods Used by MEJN

- Budget literacy programmes
- Feedback interactive sessions
- Simplified technical materials for disseminating the national budget and first Malawi Poverty Reduction Strategy as well as second-generation Malawi Poverty Reduction Strategy (the Malawi Growth and Development Strategy)
- Communication of information to the citizens through members of the district committees (chapters), national members of MEJN, Members of Parliament (both at the constituency and national levels), Government officials and donors
- Participatory research and monitoring

Tools and methods used by MEJN *contd....*

- Consistent advocacy at crucial times such as Parliamentary Budget Sessions, Government Trade Negotiations and Economic Structural Reform
- Budget analysis and popularization (pre and post budget meetings and campaigns)
- Electronic media (Radio and TV Programmes): recorded, live and phone-in debates
- Music (audio tapes and CDs)
- Print media (newspapers, press statements and releases, briefs and flyers, and newsletters)
- Media dissemination campaigns (targeted workshops and conferences)
- National stakeholders launches
- Press Club Debates
- Budget translation into vernacular languages – Chichewa, Tumbuka, Lomwe, Yao and Sena

Impact of MEJN initiatives

- Increased civil society and community participation in the processes of local and central governments budgets and Malawi Growth and Development Strategy (MGDS)
- Effective budget analysis and improved access to budget documents understandable by the general populace
- Increasing awareness and understanding of the Malawi budgeting processes by the religious institutions, churches and ordinary citizens
- Grassroots focal points of economic engagement have been formed
- Constructive criticisms that follow with alternative suggestions encourage the good working relationship and understanding with the Malawi Government, Parliament and the other crucial stakeholders/corporate partners
- Civil society organizations have now filled the gap in demystifying the budget which was previously a “No-go Area”
- Formation of district level structures to guide economic governance issues
- Translated budgets enhance citizen participation on the budget

Main challenges faced by MEJN

- Calls by stakeholders in Malawi (and beyond the confines of Malawi) to institutionalize evidence-based advocacy, yet there are legal limitations and inadequate resources to take up the challenge for the time being
- Low levels of educational attainment of the majority of the ordinary Malawians are viewed as a drawback in enhancing budget demystification and transparency
- Growing expectations and overwhelming demand from MEJN members (at all levels including the communities) to benefit from budget literacy programmes.

Major lessons learnt

- CSO have the potential to demystify budgets of central and local governments and make the budgeting processes transparent and easy to understand by the grassroots. T
- CSOs engagement can contribute to government accountability (by raising awareness and demand for transparency) and integrate the pro-poor perspective into the national budgets

(c) Initiatives at Local Government Level: The Case of Blantyre City Assembly

Stages:

- Stage One: Preparation of the draft budget (revenue and expenditure estimates) by the non- elected of the local government
- Stage Two: Submission of the draft budget to the Finance Committee of the local government for scrutiny and approval.
- Stage Three: Submission of the draft budget by the Finance Committee
- Stage Four: Submission of the budget to the NLGFC by the Assembly for scrutiny.

Stages: cont'd.....

- Stage Five: NLGFC prepares a consolidated budget for all local governments after consultation with the Treasury.
- Stage Six: Budget is presented to the National Assembly for information purposes by the Minister of Local Government and Rural Development before commencement of each year
- Stage Seven: Implementation of the approved budget by the Assembly Secretariat (headed by the Chief Executive Officer) and monitored by the Assembly (through the Finance Committee) and NLGFC

Major activities undertaken

- *Section 23(1) of 1998 the Local Government Act allows civil society organizations (as members of the general public or the press) to attend all council meetings, be the Assembly, committee and sub-committee meetings, just to listen to the deliberations. Thus under Stages Two and Three of the budgeting process, members of the general public are legally allowed to be present but not to participate in the deliberations*

Reasons for Engaging Stakeholders in the Budget Process

- (i) Ratepayers were not aware of the budget and how their taxes were being used
- (ii) Because of low revenue collections from the existing local sources, the Assembly was not able to deliver services to the expectations of its residents
- (iii) The Assembly is largely funded from local sources (80%) and government grants (20%), hence the necessity to include its residents in all activities affecting them

Assembly's Objectives

- To ensure that all citizens/residents are aware of what the Assembly's current and future plans for them
- To instill a sense of belonging and ownership of the development programmes and overcome the mistrust that existed between BCA and its citizens resulting in the latter's resistance to pay city rates
- To restore residents' trust in the Assembly
- To create culture of transparency and accountability in the use of public funds collected locally from the existing local sources and central government transfers

The budget also Publicized through:

- Formal meetings conducted with various stakeholders by the Chief Executive Officer and Director of Financial Services. The Assembly, from various city-wide consultations has identified and compiled a list of stakeholders to be contacted on various city activities
- BCA's notice boards in simplified English language or Chichewa
- Print and electronic media.

Main Challenges Faced by BCA

- There are no formal guidelines for budget demystification and budget transparency from both the central and local governments
- Lack of capacity on part of the elected and non-elected officials to facilitate the participatory budgeting process
- It is very costly (in terms of time and resources) to organize budget demystification and transparency exercises
- Meetings are monopolized by the same people
- Low literacy levels of the citizenry
- Low turnout at budget meetings

Proposed Solutions

- Local governments in Malawi should lobby for detailed legal framework and formal guidelines for budget demystification and budget transparency as practiced in Uganda (Entebbe Municipality) and South Africa (City of Johannesburg)
- There is need for capacity building of the elected and non-elected officials of the Assembly on participatory budgeting as well as budget demystification and budget transparency
- Civic education programmes should be conducted so that the citizens should know why it is important for them to participate in the Assembly budgeting processes
- Simplify the budget documents and where necessary, communicate the budget in the language of the people

Impacts

- For Blantyre City Assembly, there is a forum and structures to enable various stakeholders to raise complaints about budget irregularities and poor service delivery
- Improved relationship between Blantyre City Assembly and its citizens
- Improved revenue collection from local sources
- Increased solidarity and community spirit
- Assembly members are now aware that they need to involve their constituents in all activities of Blantyre City Assembly including budgeting
- Institutionalization of participation in budgeting and other activities of the Assembly

Lessons Learnt from the Initiatives

- In addition to the legal framework, formal and/or informal guidelines are required for effective participatory budgeting to take place in the local governments.
- Political will is a necessary condition for budget demystification and budget transparency.

Lessons Learnt from the Initiatives (Cont'd...)

- There must be adequate access points and opportunities for all stakeholders to effectively engage in participatory budgeting
- In the absence of formal guidelines, it is possible for local governments to explore ways of directly dealing with the citizenry to demystify the budget and improve transparency in their respective budget systems
- Budget literacy programmes are a prerequisite for effective budget demystification and budget transparency

Summary

- Attempts to demystify the budget and make it more transparent are yielding results
- **Challenges**
 - There are no formal guidelines for budget demystification and budget transparency
 - Lack of capacity on part of the non-elected officials to facilitate the participatory budgeting process
 - It is very costly to organize budget demystification and transparency exercises
 - Low levels of educational attainment
 - Inadequate knowledge and skills of the stakeholders

Summary (Cont'd...)

- If properly implemented can result in:
 - Equitable public spending
 - Quality service delivery
 - Improved democratic and economic governance
 - Increased solidarity and community spirit
 - Increased public ownership of development programmes
 - Increased satisfaction of basic needs
 - Greater responsiveness and accountability of central and local governments

Summary (Cont'd..)

- **Conclusions Drawn** – Effective budget demystification requires:
 - o Political will of elected officials – Mayor and Councillors
 - o Legal and institutional frameworks
 - o Sufficient Human Resources (in both qualitative and quantitative terms)
 - o Capacity Building of Stakeholders in budgeting and associated languages

END OF PRESENTATION